

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 IO-10 /115 W

----- 118896

R 071322Z AUG 75

FM AMEMBASSY MANAMA BAHRAIN

TO SECSTATE WASHINGTON DC 2361

UNCLAS MANAMA 0922

E.O. 11652 : N/A

TAGS : EIND, EINV

SUBJ : FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF : STATE 165596

1. FOLLOWING REVISED NARRATIVE STATEMENT IS SUBMITTED ON STATE
ON BAHRAIN:

QTE FOR NEARLY HALF A CENTURY, BAHRAIN'S DEVELOPMENT
HAS BEEN CLOSELY ASSOCIATED WITH DIRECT AMERICAN INVESTMENT,
NOTABLY THE CALTEX INTEREST IN THE FIRST CRUDE OIL PRODUCTION
AND REFINING ON THE ARAB SIDE OF THE PERSIAN GULF. KAISER,
ALONG WITH THE GOVERNMENT OF BAHRAIN AND TWO OTHER MEMBERS OF
AN INTERNATIONAL CONSORTIUM, PARTICIPATES IN BAHRAIN'S SECOND
MAJOR INDUSTRY, ALUMINUM SMELTING. EVEN BEFORE FULL INDE-
PENDENCE IN 1971, THE GOVERNMENT OF BAHRAIN HAD EMBARKED ON A
CONSISTENT POLICY OF TRYING TO ATTRACT WESTERN AND OTHER
FOREIGN BUSINESS INVESTMENT IN AN EFFORT TO DEVELOP BAHRAIN,
THE ONLY GULF STATE WITH RELATIVELY INSIGNIFICANT CRUDE OIL
RESOURCES, INTO A REGIONAL SERVICE AND COMMERCIAL CENTER WITH
SOME INDUSTRIAL BASE. UNQTE

QTE IN PURSUANCE OF THIS POLICY, BAHRAIN PERMITS FOREIGN
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BANKING, IMPOSES NO CORPORATE OR INDIVIDUAL INCOME TAX, MAIN-

TAINS GENERALLY LOW TARIFFS, PROVIDES A FREE PORT FOR TRANSHIPMENTS, SUBSIDIZES INDUSTRIAL USE OF ELECTRICITY, AND OFFERS LAND IN AN INDUSTRIAL AREA AND NATURAL GAS POWER AT CONCESSIONAL RATES. THE ATTITUDE OF PUBLIC ADMINISTRATION AND THE SOCIETY GENERALLY HAS BEEN TRADITIONALLY COOPERATIVE TOWARD FOREIGN BUSINESS. UNQTE

QTE THERE IS AT PRESENT MINIMAL COMMERCIAL LEGISLATION IN BAHRAIN AND PREVAILING COMMERCIAL LAW IS BASED ON PRECEDENT WITH SOME ENGLISH COMMON LAW INFLUENCE. THROUGH THE DEVICE OF COMMERCIAL REGISTRATION THE GOVERNMENT IN EFFECT HAS CONTROL OVER THE CONDITIONS UNDER WHICH FOREIGN INVESTORS ESTABLISH THEIR INTEREST IN BAHRAIN. THERE IS A TENDENCY TO INSIST ON BAHRAINI SPONSORSHIP OF FOREIGN COMMERCIAL ENTERPRISES AND TO ENCOURAGE BAHRAINI CAPITAL PARTICIPATION IN SIGNIFICANT INDUSTRIAL AND SERVICE ENTERPRISES. UNQTE

QTE IN 1975 THE ONLY REAL INHIBITION ON FOREIGN INVESTMENT IN BAHRAIN IS THE SHORTAGE OF RESOURCES, NOTABLY LABOR. THE GOVERNMENT IS HESITANT TO AUTHORIZE THE ESTABLISHMENT OF FURTHER MAJOR INDUSTRY BECAUSE OF HUMAN RESOURCE AND ENVIRONMENTAL STRAINS. THE GROWTH OF REGIONAL SERVICE, COMMERCIAL, AND BANKING ACTIVITIES CONTINUES BUT, EVEN HERE, THE UNAVAILABILITY OF PHYSICAL ACCOMMODATIONS AND LOCAL LABOR, AND THE GOVERNMENT'S CAUTION OF PERMITTING IMMIGRATION OF ADDITIONAL LARGE NUMBERS OF FOREIGN LABORERS, ARE BECOMING LIMITING FACTORS. UNQTE

2. INVESTMENT STATISTICS:

(A) U.S. DIRECT INVESTMENT - NO OFFICIAL STATISTICS ARE YET AVAILABLE. WE ESTIMATE U.S. DIRECT INVESTMENT, VERY ROUGHLY, AT AROUND \$500 MILLION. THE ONLY TWO SIGNIFICANT INVESTMENTS ARE THAT OF CALTEX IN THE 250 THOUSAND BARREL PER DAY BAPCO REFINERY AND KAISER'S 17 PCT INTEREST IN THE ALBA ALUMINUM SMELTER. BOOK VALUE OF THE REFINERY, ONE OF THE OLDEST IN THE AREA, IS BUT A FRACTION OF ITS REPLACEMENT VALUE WHICH WOULD BE IN THE NEIGHBORHOOD OF \$1 BILLION.

(B) DIRECT INVESTMENT BY ALL COUNTRIES - SINCE WORK ON UNCLASSIFIED

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BAHRAIN'S THIRD MAJOR INDUSTRY, THE OAPEC DRY DOCK (ASRY), HAD NOT YET BEGUN BY THE END OF 1974, WE WOULD ESTIMATE TOTAL FOREIGN INVESTMENT IN BAHRAIN NOT EXCEEDING \$2 BILLION, PRESENT INVESTING COUNTRIES BEING THE U.S., U.K. AND KUWAIT.

(C) DIRECT INVESTMENT IN THE U.S. - NO FIGURES ON BAHRAINI DIRECT INVESTMENT IN THE U.S. ARE AVAILABLE BUT IT IS BELIEVED TO BE INSIGNIFICANT.

3. WE CONTINUE TO TRY TO GET FROM OFFICIAL SOURCES SPECIFIC
FOREIGN INVESTMENT DATA REQUESTED REFTEL AND WILL FORWARD TO
THE DEPARTMENT WHEN AND IF RECEIVED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INVESTMENT CLIMATE, FOREIGN INVESTMENTS, INVESTMENT DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 07 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANAMA00922
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750273-0481
From: MANAMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750874/aaaacncd.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 STATE 165596
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 21 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 FEB 2003 by ReddocGW>; APPROVED <20 JAN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: : FOREIGN INVESTMENT CLIMATE AND STATISTICS
TAGS: EIND, EINV, BA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006